

COMMISSIONERS

Robert "Bob" Burns - Chairman
Boyd Dunn
Sandra D. Kennedy
Justin Olson
Lea Márquez Peterson



LEA MÁRQUEZ PETERSON
COMMISSIONER

(602) 542-3625 desk
(602) 463-3814 text
LMarquezPeterson-Web@azcc.gov

OPEN MEETING AGENDA ITEM
ARIZONA CORPORATION COMMISSION
OFFICE OF COMMISSIONER LEA MÁRQUEZ PETERSON

June 17, 2020

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

**Re: IN THE MATTER OF THE RATE REVIEW AND CUSTOMER OUTREACH AND EDUCATION
PROGRAM OF ARIZONA PUBLIC SERVICE COMPANY ([E-01345A-19-0003](#))**

Dear Commissioners and All Interested Parties,

On January 9, 2019, the Arizona Corporation Commission directed the Utilities Division (Staff) to conduct a rate review and audit of Arizona Public Service Company (APS) and an evaluation of its Customer Education & Outreach Program, which APS was required to implement following its last rate case. After reviewing the history, **I am proposing the reinstatement of a flat rate that customers can opt-into to free themselves from complicated time-of-use rates, as well as some other ideas that can help APS follow-through on its commitment to helping customers save on energy bills.**

In the 18 months since directing Staff to conduct its review, the Arizona Corporation Commission has completed a multitude of investigations into the APS Customer Education & Outreach Program. After expending considerable time and resources, here is what we know.

On April 9, 2019, the Administrative Law Judge presiding over the Formal Complaint of Stacey Champion issued a [Recommend Opinion and Order](#), which found:

"The totality of the record in this proceeding . . . has not alleviated our concerns . . . that APS's public outreach and education plan may not have been effective in accomplishing its intended goal . . ." (page 88, lines 23-28).

On June 4, 2019, Overland Consulting completed its review of APS's Customer Education & Outreach Program ("[Overland Report](#)") and said:

"[Some customers] felt that APS had been less than transparent in its communications about what was going to happen under the modernized rates." (page 19).

And, on May 19, 2020, Barbara Alexander completed her evaluation of APS's Customer Education & Outreach Program ("[Independent Evaluation](#)"), which said:



“[APS’s] labeling a rate plan as ‘saver’ without any guarantee of savings is a questionable business practice.” (page 27, footnote 37).

I have read the reports and am appalled by what I have seen. Based on the findings, I can understand why APS’s customers are frustrated. Only six months ago APS’s CEO told the Commission that “shareholders are better off when we deliver customer value,” that “customers deserve our best,” and that “As CEO of APS, part of my vision is that we have a customer-focused culture.”¹ Yet, according to the reports, this multi-billion dollar company was unable to implement a \$5-million customer program. How is that possible?

After public health and safety, customer focus should be utilities’ top priority, yet engaging in “questionable business practice[s]” and being “less than transparent” with customers is the antithesis of a “customer-focused culture.” It serves as a distraction for the Commission, and my disappointment in APS’s executive management in the decade leading up to and including this conduct cannot be understated.

Everything in the last rate case was contingent on the Customer Education & Outreach Program. In the last APS rate case, the Commission forced APS customers to choose new rate plans against their will; but, in exchange for the inconvenience to customers, APS promised that they would see savings on their bills and have the ability to take control of their energy usage. Instead, APS steered customers in the direction of its most confusing peak demand rates and failed to give customers the necessary tools and resources they needed to understand those rates or take active control of them.

After May 2018, when the new rate plans went into effect, almost 150,000 customers saw rate increases of greater than 10% for no fault of their own², and APS continued to collect \$66 million in additional surcharges that were supposed to promote programs, such as smart thermostats and EnergyStar appliances, that would have helped customers take control of their energy usage over the last three years but spent only half of those surcharges on their intended purpose.³ Had APS followed-through with its commitment to the Commission and its customers, I do not believe we would be here today.

I applaud Chairman Burns and other commissioners for trying to find ways APS can hold its customers harmless for the impacts of its “questionable business practice[s]” and “less than transparent communications;” however, I’m concerned their proposals do not provide relief quickly enough for APS customers, who are in the middle of the coronavirus pandemic, an economic recession, and multiple heat waves, and who have waited nearly three years for APS to uphold its end of the bargain.

¹ Remarks of APS CEO Jeff Guldner, Regular Open Meeting (Dec. 11, 2019).

² According to APS, 182,533 customers saw an increase of greater than 10% from May 2018 to August 2018, after the last APS rate case. Of those, 142,871 customers saw an increase of greater than 10% after May 2018 because they chose a plan that APS said was their “best” plan but that was not in-fact their “best” plan. In addition, 5,231 customers saw an increase of greater than 10% after May 2018 due to reasons that were related to peak demand, such as being charged more for energy usage that was previously deemed “off-peak” but that is now deemed “on-peak,” due to the change in “on-peak” window from 7pm to 8pm when overall usage patterns remained the same. See [APS’s Updated Bill Impact Analysis](#) (Oct. 26, 2018) and [APS’s Summary of Reasons](#) (Dec. 14, 2020).

³ According to Southwest Energy Efficiency Project, Arizona PIRG Education Fund, and the Building Performance Association, APS spent only \$31 million and \$33 million, respectively, in energy saving programs in 2018 and 2019 out of the \$66.6 million that company had been authorized to collect in surcharges in each year since 2017. See [Joint Comments in Response to Arizona Public Service \(APS\) COVID-19 Emergency and Temporary Customer Relief Package](#) (Apr. 24, 2020). The last energy efficiency plan the Commission approved for APS was on August 15, 2020, the same day as APS’s rate case. The Commission has not approved an energy efficiency plan for APS since. See [Open Meeting Agenda for August 15, 2020](#).



I support any lawful proposal the Commission wants to explore, but I do not want to solely support proposals that the Commission knows will consume additional time and resources but that will not provide relief for customers in the near term.

Because APS's Customer Education & Outreach Program was so heavily focused on time-of-use rates and demand charges, I believe any solution APS proposes to offer must provide customers with either (a) an opportunity to opt-out of confusing demand charges and time-of-use rates, which they do not understand; or (b) the energy-saving tools and programs that would have allowed customers to take control of such rates, three years ago. My preference would be both--and I believe APS's solution must be implemented immediately to address the urgency surrounding COVID-19 and the summer heat.

Accordingly, I would like to discuss reopening basic flat rates and ways that APS can deploy smart thermostats at no cost to customers, such as those used in my own home. As one commissioner noted, if the Commission can pass emergency interim rates to make rates go up, then the Commission should be able to pass emergency interim rates that allow customers to pick plans that are easier to understand. After internal review, it has been determined that reopening basic flat rates could be accomplished by a vote of the Commission to "unfreeze" the standard, residential transitional rate (Rate Schedule Transitional E-12) that was approved in APS's last rate case but "frozen" in May 2018. We can take action this week that will have an immediate impact.

I also support the recommendations made by Diane Brown on June 17, 2020 ([Recommendations of Arizona PIRG Education Fund](#)), including the establishment of a 24-7 call center for general customer support; however, I am skeptical that requiring *more* customer outreach and education will be effective at this time. Instead, I would like to see APS's monthly bills redesigned from the top to bottom to make them easier for customers to read and understand.

In reviewing the record leading up to today, I understand why customers have demanded action. I think the history demonstrates how important adopting a customer-centric focus will be for APS in the coming decade. I want to do what's right, and the question I want APS to give the most thought to in preparation for the Special Open Meeting is the following: what is the right thing to do?

Thank you. I look forward to the discussion.

Sincerely,

Lea Márquez Peterson
Commissioner

